VRS in Nationalised Banks

1383. SHRIMATI N.P. DURGA: Will the Minister of FINANCE AND COMPANY AFFAIRS be pleased to state:

(a) whether it is a fact that Government propose to go for Voluntary Retirement Scheme in nationalised banks in the next two years;

(b) if so, the names of banks which will be offering VRS.;

(c) the number of employees to be allowed VRS;

(d) whether this will affect the efficiency of these banks; and

(e) if so, the details in this regard?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE AND COMPANY AFFAIRS (SHRI ANANDRAO VITHOBA ADSUL): (a) to (c) Government have not received any proposal for Voluntary Retirement Scheme (VRS) from the nationalised banks except Bank of India and Corporation Bank. The proposal of Bank of India for second VRS is under consideration. However, "No Objection" of the Government has been given to Corporation Bank for introducing VRS. The number of employees allowed under VRS will be known only when the process is completed.

(d) and (e) In order to ensure smooth customer service and to speed up decision making process, public sector banks have taken various measures for computerisation/mechanisation of their branches/offices including installation of ATMs at major commercial and residential centres, popularising electronic clearing system, electronic funds transfer for corporate customers, etc. It will improve the efficiency of the banks in the long run.

Installation of System for Reporting of frauds

1384. SHRI C.P. THIRUNAVUKKARASU: Will the Minister of FINANCE AND COMPANY AFFAIRS be pleased to state:

(a) whether the Reserve Bank of India has made mandatory for Banks to install system for reporting frauds and sought augmentation of investment fluctuation reserve by them;

(b) if so, the details thereof;

(c) whether the N.L. Mitra Committee has made recommendation in this regard;

(d) if so, the details thereof; and

(e) the action taken in this regard?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE AND COMPANY AFFAIRS (SHRI ANANDRAO VITHOBA ADSUL): (a) and (b) As per the extant instructions of Reserve Bank of India (RBI) all commercial banks are required to report to RBI all actual or suspected frauds of Rs. 1 lakh and above with full details as soon as such frauds come to their notice but within three weeks of their detection in the prescribed format.

RBI has also advised banks to transfer maximum amount of gains realised on sale of investment in securities to the Investment Fluctuation Reserve (IFR) to guard against any possible reversal of interest rate environment in future due to unexpected developments and to safeguard against price fluctuation. banks were also advised to achieve IFR of a minimum of 5% of their portfolio with a period fo 5 years.

(c) to (e) N.L. Mitra Committee has not made any specific recommendation in this regard.

Downgrading of Indian guarantee rating

1385. SHRI RAMA MUNI REDDY SIRIGIREDDY: Will the Minister of FINANCE AND COMPANY AFFAIRS be pleased to state:

(a) whether it is a fact that Standard and Poor has downgraded the Indian guarantee rating from "investment grade" to "junk grade"; and

(b) if so, what impact it would have on the economy?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE AND COMPANY AFFAIRS (SHRI ANANDRAO VITHOBA ADSUL): (a) In September, 2002 one of the international credit rating agencies Standard and Poor's Rating Service (S&P) revised their local currency sovereign credit ratings on India to 'BB+' from 'BBB-' for the long term and to 'B' from 'A-3' for the short-term. At the same time, the agency affirmed its double 'B' long-term and single-B' short-term foreign currency sovereign credit ratings.

(b) Government is confident of the robustness of the economy. S &P's ratings will not affect the economy or Government of India's resource mobilization. Government's view is based on factors which,